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CE cheating scheme, UBS pay cuts: Top news November 2024
By Frank Gargano
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Enjoy complimentary access to top ideas and insights — selected by our editors. In November's roundup of pressing issues in the wealth management space, dive into the fallout of a massive continuing education cheating scheme, UBS' pay cuts for producers across the organization, forecasts for 2025's tax and retirement changes and more.

Click here to read September's compilation of top news items.

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63 brokers suspended, 4 banned in CE cheating scheme
Article by Brian Wallheimer

A continuing education cheating scheme has landed at least 63 brokers suspensions and fines from the Financial Industry Regulatory Authority. Four brokers have been barred from the industry for refusing to cooperate with the investigation.

The disciplined brokers certified to the state of New York that they had completed 15 hours of continuing education to maintain their state insurance licenses when, in fact, someone else completed the requirements for them. All 63 brokers received a one-month suspension and a $5,000 fine.

It's possible that more brokers will be disciplined, but FINRA officials would not comment on whether any current investigations are ongoing. The alleged infractions date back to 2022.

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How consolidation is testing fiduciary duty in RIAs
Article by Tobias Salinger

The transaction merging Buckingham Strategic Wealth into The Colony Group under the private equity-fortified umbrella of Focus Financial Partners understandably drew headlines last May.

Focus had gone private in a deal with Clayton, Dubilier & Rice about nine months earlier, valuing the New York-based registered investment advisory firm aggregator at north of $7 billion. After that (and the departures of longtime

Focus CEO Rudy Adolf and the other co-founders, Rajini Kodialam and Leonard Chang, in 2023), the rollup of Buckingham into Colony reflected a new approach: merging the 90 Focus-owned RIAs into a series of a few giant "hubs" rather than a dispersed network of independent partners in the conglomerate.

Focus described the deal combining the $70 billion in client assets under management or administration with St. Louis-based Buckingham and its turnkey asset management business, Buckingham Strategic Partners, into Boston-based Colony as "transformational." In a later interview with FA Magazine, the new CEO of Focus, former Colony CEO Michael Nathanson, said the firm strived to be "the leading fiduciary advice platform in the country."

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UBS to cut base pay for low-end producers — and some high-end
Article by Dan Shaw

UBS is reducing its base compensation for its low-end producers while making more modest cuts higher up the income-generation scale.

The new compensation policy rolled out by the Swiss banking giant on Thursday would cut payout rates next year for U.S. advisors producing less than $750,000 by between 2% and 4%. The actual reductions will depend on a variety of factors, including how long a given advisor has been with the firm.

Meanwhile some advisors, mostly at the $1 million production level or higher, will see a more modest 0.5% cut in their payout rates. For instance, advisors who have been with the firm for between five and 10 years and generate between $3 million and $4 million in annual revenue now earn a payout rate of 50.5%. That will fall to 50% next year, reducing a $4 million producer's compensation by $20,000.

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Citi has long way to fulfill Sieg's big dreams
Article by Dan Shaw

In his first year on the job, Citi wealth head Andy Sieg has grown fond of saying his firm could one day be the biggest global wealth manager.

Speaking in June at the Morgan Stanley U.S. Financials, Payments & CRE Conference in New York, Sieg made it clear he's not in the business of dreaming small.

"You can't take this seat I'm in without, in my view, setting a very high bar in terms of what success should look like," according to a transcript of Sieg's remarks. "I mean, this should be the No. 1 wealth management business in the world over time."

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Morgan Stanley wealth head bets on reinvestment over recruiting
Article by Dan Shaw

Morgan Stanley Head of Wealth Management Jed Finn thinks his division could hit its operating revenue goals practically overnight if it simply stopped investing in itself.

Morgan Stanley's $6 trillion wealth unit has long had a goal of hitting a 30% operating margin — meaning just under a third of its revenue will be left over once all the expenses have been subtracted. That margin inched upward again in the firm's third quarter to 28.3%, from 27% in the previous period.

Finn, who moved into his current position just under a year ago, said Morgan Stanley could easily hit 30% merely by halting reinvestments in its wealth division.

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A primer on the IRA 'bridge' to bigger Social Security benefits
Article by Tobias Salinger

Clients approaching retirement can delay their future required minimum distributions — and accompanying income taxes — until they're 73 rather than starting them at 72, as was the rule prior to the Secure 2.0 Act. In 2033, the first RMDs will fall back to 75.

Those changes will help pre-retirees lock in more tax-advantaged investment gains in their individual retirement accounts and build more wealth apart from Social Security.

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How financial advisors are going full-RIA — with a 'brokerage'
Article by Tobias Salinger

A prospective client speaking with advisor Bill Rabbitt recently posed the foundational query that more customers are asking these days.

"'Before we even talk, I have one question: Are you a fiduciary?' She said, 'I couldn't keep talking to you if I didn't ask you that question,'" said Rabbitt, the owner of West Hartford, Connecticut-based advisory practice WP Financial. "People are looking for that. They want that unbiased advice."

More financial advisors than ever before are answering in the affirmative with respect to every area of their advice. Planners like Rabbitt, though, represent a new and growing group of advisors: those who are registered only with a registered investment advisory firm — but one that also has an affiliated brokerage or uses the services of a company that has a brokerage.

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Medicare premiums quickly outpace Social Security COLA
Article by Nathan Place

Seniors expecting a boost in their Social Security checks next year may be disappointed to find that Medicare is eating up most of the increase.

That's because in 2025, Medicare Part B premiums will rise more than twice as fast as Social Security's cost-of-living adjustment (COLA). According to the Centers for Medicare & Medicaid Services, next year's COLA will be 2.5%. The standard Part B premium, meanwhile, will jump by 5.9%.

Why does that matter? Because Part B premiums are automatically deducted from Social Security checks.

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Planning for 2025's tax brackets and retirement rules
Article by Tobias Salinger

Cooling inflation will bring some relief in the form of slightly lower taxes next year.

An average inflationary adjustment of 2.8% under IRS guidance for 2025 released earlier this month came in lower than the 5.4% hike for this year and a boost of more than 7% across the seven federal income brackets in 2023, according to an analysis by the nonpartisan, nonprofit Tax Foundation.

At the same time, the slower rise in cost-of-living expenses this year led the

agency's subsequent annual announcement of the level of penalty-free limits on contributions to individual retirement accounts to stay the same, at $7,000.

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Fidelity's client-cash plans draw industry ire
Article by Rob Burgess

An upcoming change to how Fidelity Investments handles cash balances has drawn ire from some in the industry who say it doesn't have clients' best interests in mind.

Next year Fidelity plans to convert its existing RIA non-retirement clients' cash balances from money market funds to its cash management product, FCASH, as first reported in Citywire. (Fidelity confirmed those plans with Financial Planning through a spokesperson.)

The current annual percentage yield on FCASH is 2.35% (with a 2.32% interest rate), while Fidelity's own Government Money Market Fund (SPAXX) posts a 4.27% SEC seven-day yield. Currently, the cash balance in a Fidelity Cash Management Account is swept into an FDIC-insured interest-bearing account at one or more program banks; balances above $5 million may be placed in a non-FDIC insured money market fund.

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